



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
PUBLIC INFORMATION OFFICE
(212) 637-2600

**MANHATTAN-BASED INVESTMENT ADVISER SENTENCED TO 13 YEARS
AND 4 MONTHS IN FEDERAL PRISON FOR MASSIVE FRAUD ON CLIENTS**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that TODD M. EBERHARD, a Manhattan-based investment adviser and securities broker, was sentenced today in Manhattan federal court to 13 years and 4 months in prison following his guilty plea on September 14, 2004, to conspiracy, investment advisory fraud and obstruction of justice charges.

The charges all arose from EBERHARD's participation in a scheme to defraud his clients out at least \$20 million by churning and looting their accounts, and his attempt to obstruct a Securities and Exchange Commission ("SEC") investigation into his misconduct.

According to the Indictment previously filed against EBERHARD, as well as statements made by EBERHARD in connection with his guilty pleas, EBERHARD conducted business through two Manhattan-based entities that he controlled: Park South Securities, LLC ("Park South"), an investment advisory firm

registered with the SEC; and Eberhard Investment Associates ("EIA"), an unregistered financial services firm. In addition, according to the Indictment, from 1998 through 2001, EBERHARD was employed as a registered securities representative at Clearing Services of America, Inc. ("CSA").

From about 1993 through his arrest in 2003, EBERHARD engaged in a scheme to defraud his clients of millions of dollars by engaging in excessive trading, or "churning" in their accounts to garner commissions for himself to the detriment of his clients, and by directly stealing funds from his clients. In order to conceal his fraudulent conduct from his clients, EBERHARD made false statements and misrepresentations about the balance of and activity in their accounts, including by issuing false account statements.

EBERHARD kept his fraudulent scheme operating by making payments to customers who discovered his fraudulent conduct and requiring them not to report the fact of the payments to others, including regulatory authorities such as NASD. As alleged in the Indictment, EBERHARD typically made these settlement payments with funds stolen from other clients. In addition to using the misappropriated funds to pay other customers, EBERHARD also used the funds for a host of other improper purposes, such as paying his credit card bills, purchasing or leasing expensive cars, paying a former employee who was extorting EBERHARD by

threatening to disclose his extramarital relationships, and purchasing real estate for himself, including an island in Nova Scotia, Canada.

According to information presented at the sentencing by two trustees charged with liquidating Park South, EIA, and CSA, the amounts improperly taken, transferred or misappropriated from client accounts totals approximately \$10 million. In addition, other information presented at sentencing showed that the damages to clients from EBERHARD's churning activity was at least \$10 million.

According to the Indictment and statements made by EBERHARD, after EBERHARD's arrest in February 2003 and the initiation of a regulatory action against him by the SEC in the United States District Court for the Southern District of New York, EBERHARD took steps to obstruct the SEC proceeding. Specifically, EBERHARD presented documents to the SEC falsely reflecting the transfer of real property from EBERHARD to others in order to prevent that property from being subject to an asset freeze imposed by the Court and to enable EBERHARD to maintain control over the property and the income that it produced.

United States District Judge ROBERT W. SWEET sentenced EBERHARD today to 13 years and 4 months in prison. Judge SWEET has further ordered that he will determine the amount of

restitution that EBERHARD owes to the victims of his offense in proceedings to be completed by September 5, 2005.

EBERHARD, 40, lives in Manhattan.

Mr. KELLEY praised the efforts of the United States Postal Inspection Service in the investigation of this case. Mr. KELLEY also thanked the SEC and NASD for their assistance in this matter.

Assistant United States Attorney JONATHAN R. STREETER is in charge of the prosecution.

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